

Cherat Papersack Limited

Annual Report 1999

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COMPANY INFORMATION

CHAIRMAN MR. MOHAMMED FARUQUE
CHIEF EXECUTIVE MR. ZAHID FARUQUE
DIRECTORS MR. IQBAL FARUQUE
MR. AHMAD FARUQUE
MR. MAHMOOD FARUQUE
MR. AKBARALI PESNANI
MR. KELLY PATEL
MR. SHEHRYAR FARUQUE

Company Secretary MR. R. JAFRANI
Auditors SIDAT HYDER QAMAR & CO.
Bankers ABN AMRO BANK.
ALLIED BANK LTD.
ANZ GRINDLAYS BANK LTD.
CREDIT AGRICOLE INDOSUEZ.
HABIB BANK LTD.
MUSLIM COMMERCIAL BANK LTD.
NATIONAL BANK OF PAKISTAN
UNITED BANK LTD.

Registered Office MODERN MOTORS HOUSE,
BEAUMONT ROAD,
KARACHI-75530

Factory PLOT NO. 26,
GADOON AMAZAI INDUSTRIAL ESTATE,
DISTT. SWABI,
N.W.F.P.

Sales Office 1ST FLOOR, BETANI ARCADE,

JAMRUD ROAD, PESHAWAR.

Regional Office

3, SUNDERDAS ROAD,
LAHORE.

Islamabad Office

NO. 7, MEZZANINE LEVEL,
RAZIA SHARIF PLAZA, 92, BLUE AREA,
ISLAMABAD.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that Tenth Annual General Meeting of this Company will be held on Thursday, 16th December, 1999 at 02:00 p.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi, to transact the following business:

1. To receive and consider the audited Accounts for the year ended June 30, 1999, with the Directors' and Auditors' Reports thereon.
2. To approve final dividend of Rs. 10.00 per share (100%) for the financial year ended on June 30, 1999 as recommended by Directors in addition to the interim dividend of Rs. 3.50 (35%) already paid.

To elect eight Directors of the Company as fixed by the Board u/s 178(1) of the Companies Ordinance, 1984. The retiring Directors namely (1) Mr. Mohammed Faruque (2) Mr. Zahid Faruque (3) Mr. Iqbal Faruque (4) Mr. Ahmad Faruque (5) Mr. Mahmood Faruque (6) Mr. Akbarali Pesnani (7) Mr. Kelly Patel and (8) Mr. Shehryar Faruque all being eligible have notified their intention to offer themselves to be re-elected.

4. To appoint auditors for the ensuing year and to fix their remuneration.

By Order of the Board

R. JAFRANI
Company Secretary

Karachi: 18th November, 1999.

Notes:

1. The register of members of the Company will be closed from Friday, December 10 to Thursday, December 16, 1999 inclusive, and no transfers will be registered during that time. Shares received in order at the registered office of the Company at the close of business on Thursday, December 09, 1999 will be treated in time for entitlement of the above dividend.
2. A member eligible to attend and vote at the Annual General Meeting is entitled to appoint another member as his proxy to attend and vote in his stead. Proxies to be effective must be in writing and received by the Company 48 hours before the Meeting.
3. Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring National Identity Card (NIC) along with their Account number in Central

Depository System for verification.

4. The shareholders are requested to notify the Company if there is any change in their address.

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 1999

Dear Shareholders,

The Directors are pleased to place before you the Company's Annual Report together with the Audited Accounts and Auditors' Report for the year ended June 30, 1999.

PRODUCTION AND DESPATCHES

The Comparative figures for production and despatch of bags are as under:

	<i>1998-99</i> <i>(Units in Mil.)</i>	<i>1997-98</i> <i>(Units in Mil.)</i>	<i>% Change</i>
Production	54.42	50.84	7.04
Despatched	54.28	51.25	5.91

Out of the 54.28 million bags despatched, Cherat Cement Co. Ltd. accounted for only 11.31 million bags (i.e. 20.84%) and the rest were sold to other plants, both in North and South of the country.

MARKETING

With better quality control, constant follow up with our customers and a focussed marketing strategy, we have been able to keep our share of market. Infact in terms of quantity the despatches this year were higher than last year by 3.03 million bags.

However, to maintain our share of market and realizing the cash flow position of cement plants we had to extend substantial credit to our customers. Our receivables as of June 30, 1999 stood at Rs. 102.1 million, which is equivalent to approximately 63 days of sales.

OPERATIONAL RESULTS

The summarized operating results are as follows:

	<i>1998-99</i> <i>(Rs. in Mil.)</i>	<i>1997-98</i> <i>(Rs. in Mil.)</i>	<i>Change</i> <i>(%)</i>
Net Sales	590.2	535.5	10.2
Cost of Sales	478.4	400.9	19.3
Gross Profit	----- 111.8	----- 134.6	----- (16.9)
Expenses & Taxes	29.3	45.8	(36.0)
Net Profit	----- 82.5 =====	----- 88.8 =====	----- (7.1) =====

Other comparative figures are reflected in the Financial Statements.

APPROPRIATION OF PROFIT

The profit after tax for current year amounts to Rs. 82.51 million which together with unappropriated profit of Rs. 40.98 million from last year gives us Rs. 123.49 million to be appropriated.

Your Directors propose following appropriation of profit:

	<i>Rupees in Million</i>
Net Profit for the year	82.51
Add: Unappropriated profit brought forward	40.98

Total available for appropriation	123.49
	=====
Appropriations:	
Interim dividend @ 35%	14.28
Proposed final dividend @ 100%	40.80
Transfer to General Reserve	25.00
Balance to be carried forward	43.41

	123.49
	=====

Y2K COMPLIANCE

The Company has identified the effects of the Y2K issue on the Company's computer system as well as other computerized / electronic equipment, whether involved in information processing or production or any other purpose, in connection with the operations and the preparation of the financial statements. Even though we have taken all the necessary measures, we have also developed a contingency plan in order to overcome any major problem that might be encountered in the event of failure, whether partial or complete of our arrangement.

ISO 9002 CERTIFICATION

We are happy to report that effective July 1999 we have been certified for ISO 9002 Certification and Compliance.

FINANCIAL COMMITMENTS / DEBT OBLIGATIONS

There are no long-term loans against the company and the commitments under the lease financing are being met as per schedule.

FUTURE OUTLOOK

The success of our Company is dependent on the performance of cement industry, which of late has shown some sign of improvement. We are hopeful that the overall economic situation in the country will improve in the months ahead, which in turn should also help us in our performance.

AUDITORS

The present auditors M/s. Sidat Hyder Qamar & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

ACKNOWLEDGMENT

In the end we wish to express our thanks to all the financial institutions which have been associated with us, for their continued support, understanding and cooperation. We would also like to thank all our customers for their association. Our special thanks are due to our team of dedicated managers and other executives, supervisors and hard working employees, who continue to put in their best efforts for achieving optimum results

**For and on behalf of
CHERAT PAPERSACK LIMITED**

**MOHAMMED FARUQUE
Chairman**

Karachi: November 18, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHERAT PAPERSACK LIMITED** as at 30 June 1999 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 1999 and of the profit and the cash flows for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: November 18, 1999

SIDAT HYDER QAMAR & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i>
SHARE CAPITAL AND RESERVES			
Authorised			
5,000,000 Ordinary shares of Rs. 10/- each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up	3	40,800,000	40,800,000
Share premium reserve	4	6,800,000	6,800,000
General reserve	4	125,000,000	100,000,000
Unappropriated profit	4	43,413,851	40,978,630
		-----	-----
		216,013,851	188,578,630
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Deferred liability - Gratuity	5	10,050,449	16,781,327
		1,482,134	1,018,266
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	5	6,730,878	5,511,222
Creditors, accrued and other liabilities	6	58,397,403	95,522,413
Proposed dividend		40,800,000	28,560,000
		-----	-----
		105,928,281	129,593,635
CONTINGENCIES AND COMMITMENTS			
	8	-----	-----
		333,474,715	335,971,858
		=====	=====
FIXED ASSETS - TANGIBLE			
Operating assets	9	34,797,382	36,302,810
Assets subject to finance lease	10	20,011,050	22,234,500
Capital work-in-progress		241,294	220,792
		-----	-----
		55,049,726	58,758,102
INVESTMENTS	11	6,237,350	9,462,350
LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS	12	1,386,384	1,775,185
CURRENT ASSETS			
Stores, spares and loose tools		9,213,329	4,533,808
Stock-in-trade	13	82,220,632	101,781,412

Trade debts	14	102,104,499	95,807,754
Short-term investments		--	10,000,000
Advances, deposits, prepayments and other receivables	15	10,660,362	14,530,187
Cash and bank balances	16	66,602,433	39,323,060
		-----	-----
		270,801,255	265,976,221
		-----	-----
		333,474,715	335,971,858
		=====	=====

AUDITORS' REPORT ANNEXED

These accounts should be read with the annexed notes.

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
Sales - net	17	590,173,146	535,541,873
Cost of goods sold	18	478,415,048	400,923,454
		-----	-----
Gross profit		111,758,098	134,618,419
		-----	-----
Administration expenses	19	4,936,445	4,915,773
Selling expenses	20	15,411,320	29,346,259
		-----	-----
		20,347,765	34,262,032
		-----	-----
Operating profit		91,410,333	100,356,387
		-----	-----
Financial charges		8,486,072	7,303,237
Other charges		333,900	340,000
Other income		(7,198,867)	(3,596,792)
Workers' profit participation fund		4,489,461	4,815,497
		-----	-----
		6,110,566	8,861,942
		-----	-----
Net profit for the year		85,299,767	91,494,445
		-----	-----
Taxation- current	24	2,950,866	2,677,709
- prior		(166,320)	--
		-----	-----
		2,784,546	2,677,709
		-----	-----

Profit after taxation		82,515,221	88,816,736
Accumulated profit brought forward		40,978,630	32,961,894
		-----	-----
Profit available for appropriation		123,493,851	121,778,630
Appropriations:			
Proposed final dividend @ 100% (1998: @ 70%)		40,800,000	28,560,000
Interim dividend @ 35% (1998: @ 30%)		14,280,000	12,240,000
Transfer to general reserve		25,000,000	40,000,000
		-----	-----
		80,080,000	80,800,000
		-----	-----
Accumulated profit carried forward		43,413,851	40,978,630
		=====	=====
Earning per share - basic and diluted	25	20.22	21.77
		=====	=====

These accounts should be read with the annexed notes.

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxation		85,299,767	91,494,445
Adjustment for:			
Depreciation		6,359,339	6,696,097
Amortization		305,000	305,000
Provision for gratuity		463,868	359,055
Provision for doubtful debts		--	17,965,874
Provision for diminution in value of investment		--	1,323,588
Gain on sale of fixed assets		(17,822)	--
Financial charges		8,486,072	7,303,237
Return on investment		(4,457,710)	(3,132,087)
		-----	-----
Operating profit before working capital changes		96,438,514	122,315,209
(Increase)/decrease in:			
Stores, spares and loose tools		(4,679,521)	(648,439)
Stock-in-trade		19,560,780	(55,545,556)
Trade debts		(6,296,745)	(48,693,288)
Advances, deposits, prepayments and other receivables		2,066,455	(2,659,085)

Increase/(decrease) in:

Creditors, accrued and other liabilities	(38,112,328)	37,027,675
	-----	-----
	(27,461,359)	(70,518,693)
	-----	-----
Cash generated from operations	68,977,155	51,796,516
Income tax paid	(3,621,816)	(2,829,725)
Dividend paid	(41,758,410)	(32,010,985)
Interest paid	(4,791,574)	(2,421,148)
	-----	-----
	(50,171,800)	(37,261,858)
	-----	-----
Net cash from operating activities	18,805,355	14,534,658
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to assets	(2,674,789)	(4,836,994)
Sale proceed of fixed assets	62,150	--
Capital work-in-progress	(20,502)	(220,792)
Long-term advances, deposits and prepayments	83,801	(448,740)
Investments	3,225,000	(5,006,100)
Short-term investment	10,000,000	(10,000,000)
Interest received	7,098,350	2,277,087
	-----	-----
Net cash from / (used in) investing activities	17,774,010	(18,235,539)
CASH FLOW FROM FINANCING ACTIVITIES		
Lease rentals paid against finance lease	(9,299,992)	(9,300,388)
	-----	-----
Net increase / (decrease) in cash and bank balances	27,279,373	(13,001,269)
Cash and bank at beginning of the year	39,323,060	52,324,329
	-----	-----
Cash and bank at end of the year	66,602,433	39,323,060
	=====	=====

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

1. NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public limited company quoted on Karachi and Lahore Stock Exchanges. Its main business activity is manufacturing and marketing of paper bags and sacks.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the accounts

These financial statements have been prepared in compliance with the requirements of International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan which are applicable to the Company.

2.2 Overall valuation policy

These accounts have been prepared on the basis of historical cost convention.

2.3 Staff retirement benefits

The Company operates approved Provident Fund scheme and unapproved, unfunded Gratuity scheme covering all eligible employees.

2.4 Fixed assets and depreciation

2.4.1 Operating assets

Operating fixed assets except leasehold land and capital work-in-progress are stated at cost less accumulated depreciation, Leasehold land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method. Full year's depreciation is charged on additions while no depreciation is charged on assets deleted.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gain or loss on disposal of assets, if any, are included in income currently.

2.4.2 Assets subject to finance lease

Assets subject to finance lease are stated at lower of the present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets.

2.5 Investments

Investments are stated at cost. However, provisions are made for permanent diminution in value of investments, if any.

2.6 Stores, spares and loose tools

These are valued at average basis except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

2.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost signifies in relation to raw material on first-in-first-out basis whereas finished goods at weighted average cost comprising direct material, labour and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

2.8 Trade debts

Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.9 Foreign currency translation

Assets and liabilities in foreign currency are translated into Pakistani rupee at the rate of exchange approximating to those prevalent at the balance sheet date except liabilities covered under forward contracts which are translated at the contractual rates.

2.10 Revenue recognition**2.10.1 Sales**

Revenue from sales is recognised upon passage of title to the customers which generally coincides with physical delivery,

2.10.2 Investments

Return on investments is recognised at the rates specified in the respective investment schemes and accrued for the period. The income is recognised on the assumption that such investments will be held till the next terminal date.

Income in respect of dividend and return on short-term investment is recognised on receipt basis.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
4,080,000 (1998: 4,080,000) Ordinary shares of Rs. 10/- each fully paid in cash	40,800,000	40,800,000
	=====	=====

4. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Capital Reserve (Share Premium)</i>	<i>General Reserve Rupees</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance at 01 July 1997	40,800,000	6,800,000	60,000,000	32,961,894	140,561,894
Net profit for the year 1997-98	--	--	--	88,816,736	88,816,736
	-----	-----	-----	-----	-----
	40,800,000	6,800,000	60,000,000	229,378,630	121,778,630
Appropriation					
Transferred during the year	--	--	40,000,000	(40,000,000)	--
Proposed final dividend @ 70%	--	--	--	(28,560,000)	(28,560,000)
Interim dividend @ 30%	--	--	--	(12,240,000)	(12,240,000)
	-----	-----	-----	-----	-----

	--	--	40,000,000	(80,800,000)	(40,800,000)
	40,800,000	6,800,000	100,000,000	40,978,630	188,578,630
Net profit for the year 1998-99	--	--	--	82,515,221	82,515,221
	40,800,000	6,800,000	100,000,000	123,493,851	271,093,851
Appropriation					
Transferred during the year	--	--	25,000,000	(25,000,000)	--
Proposed final dividend @ 100%	--	--	--	(40,800,000)	(40,800,000)
Interim dividend @ 35%	--	--	--	(14,280,000)	(14,280,000)
	--	--	25,000,000	(80,080,000)	(55,080,000)
Balance as at					
30 June 1999	40,800,000	6,800,000	125,000,000	43,413,851	216,013,851

1999
(Rupees)

1998

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1 July	22,292,549	26,805,120
Less: Payments made	5,511,222	4,512,571
	16,781,327	22,292,549
	6,730,878	5,511,222
	10,050,449	16,781,327

5.1 Represents the balance of total lease rentals due under the lease agreement less the financial charges allocated to future periods. Financing rate of approximately 20.5 percent (1998: 20.5 percent) per annum has been used as discounting factor

5.2 Lease rentals are payable in the following periods:

<i>Year</i>	<i>Note</i>	1999 (Rupees in '000)	1998
1998-1999		--	9,300
1999-2000		9,300	9,300
2000-2001		9,300	9,300
		18,600	27,900

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

(Rupees)

Due to associated companies	6.1	5,782,193	4,609,704
-----------------------------	-----	-----------	-----------

Creditors		4,479,297	6,841,883
Bills payable		14,140,000	50,794,718
Duties payable	6.2	21,145,401	21,145,401
Accrued liabilities		2,126,129	2,050,210
Workers' Profit Participation Fund	6.3	4,489,461	4,815,497
Unclaimed dividend		1,906,198	824,608
Sales tax payable		4,035,358	4,346,120
Payable others		293,366	--
Mark-up on short-term loan		--	94,272
		-----	-----
		58,397,403	95,522,413
		=====	=====

6.1 The maximum aggregate amount due to any associated company at the end of any month during the year was Rs. 5.63 million (1998: Rs. 7.57 million).

6.2 Represents a provision in respect of a claim of regulatory duty levied at the prescribed rate of 5% on import of raw material. Such regulatory duty was exempted completely on the letters of credits opened before 29 October 1995 and upto an extent of 25% of the prescribed rate on letters of credit opened thereafter, as per SRO 108 (I)/95 dated 12 February 1995. The Department of Customs demanded the regulatory duty at the standard rate of 5% and filed an appeal before the Honourable High Court of Peshawar, which was decided in favour of the Company. Subsequently, the Department filed another appeal before the Supreme Court of Pakistan, against the said order of the Honourable High Court. The Supreme Court has decided the matter in favour of the Company vide its ruling dated 12 January 1999.

The Company had, as a matter of prudence, provided full liability in this regard upto 30 June 1998. However, no provision has been made for the current year. In addition, the Company has surrendered bank guarantees aggregating to Rs. 21.1 million in favour of Collector of Customs. Notwithstanding the decision of the Honourable Supreme Court of Pakistan, the Department has not yet released the bank guarantees. Pending release of bank guarantees the management has decided, as a matter of prudence, to adjust the provision after the final disposition of the matter with the Department.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	
6.3 Workers' Profit Participation Fund		
Opening balance	4,815,497	3,381,298
Add: Interest for the year	21,192	--
	-----	-----
	4,836,689	3,381,298
Less: Paid during the year	4,836,689	3,381,298
	-----	-----
	--	--
Add: Contribution for the year	4,489,461	4,815,497
	-----	-----
	4,489,461	4,815,497
	=====	=====

Full provision has been made for contribution to the fund The contribution and interest thereon, if any, is paid annually to the fund from Company's working capital.

7. SHORT-TERM FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED

7.1 The Company has acquired facility of finance against import of merchandise of Rs. 40 million (1998: Rs. 40 million) from a commercial bank at mark-up of 17.885% calculated on daily product basis. The facility is secured by way of charge against hypothecation of stock and pledge of investments.

7.2 The Company has short-term financing facilities aggregating to Rs. 40 million (1998' Rs. 25 million) from commercial banks at mark-up ranging between 16% to 17.885% calculated on daily product basis. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities are secured by way of charge against hypothecation of plant, machinery and stock and demand promissory note alongwith pledge of investments.

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees issued by a commercial bank

<i>1999</i>	<i>1998</i>
<i>(Rupees in '000)</i>	

41,334	33,356
=====	=====

8.2 Letters of credit issued by commercial banks

66,085	213,978
=====	=====

8.3 Duties payable on bonded stock

7,871	10,463
=====	=====

8.4 Lease rentals payable against operating lease:

Year

<i>1999</i>	<i>1998</i>
<i>(Rupees)</i>	

1998-1999	--	149,700
1999-2000	37,440	37,440

9. OPERATING ASSETS

9.1 The following is a statement of operating assets:

	<i>Cost</i>	<i>Additions/</i>	<i>Cost at</i>	<i>Accumulated</i>	<i>DEPRECIATION</i>		<i>Accumulated</i>	<i>Book value</i>	<i>Dep.</i>									
										<i>1 July</i>	<i>during the</i>	<i>30 June</i>	<i>At 1 July</i>	<i>Adjustment</i>	<i>Charge</i>	<i>at 30 June</i>	<i>at 30 June</i>	<i>Rate</i>
										<i>1998</i>	<i>year</i>	<i>1999</i>	<i>1998</i>	<i>for disposal</i>	<i>year</i>	<i>1999</i>	<i>1999</i>	<i>%</i>
Land - leasehold	1,442,807	--	1,442,807	--	--	--	--	1,442,807	--									

Building on leasehold land	7,915,751	--	7,915,751	2,938,384	--	335,597	3,273,981	4,641,770	5-10
Plant and machinery	49,370,155	--	49,370,155	24,563,990	--	2,480,616	27,044,606	22,325,549	10
Power and other installations	670,127	449,610	1,119,737	312,482	--	80,726	393,208	726,529	10
Vehicles	4,443,892	1,649,950	5,902,413	1,017,946	--	1,006,314	1,877,159	4,025,254	20
		(191,429)				(147,101)			
Furniture and Fixtures	978,759	230,153	1,208,912	332,927	--	75,864	408,791	800,121	5-10
Equipment	225,247	284,926	510,173	93,637	--	41,654	135,291	374,882	10
Computers	750,350	60,150	810,500	234,912	--	115,118	350,030	460,470	20
1999 - Rupees	65,797,088	2,674,789	68,280,448	29,494,278	(147,101)	4,135,889	33,483,066	34,797,382	
		(191,429)							
1998 - Rupees	60,960,094	4,836,994	65,797,088	25,268,681	--	4,225,597	29,494,278	36,302,810	

1999

1998

(Rupees)

9.2 The depreciation charge for the year has been allocated as follows:

Manufacturing overheads	3,644,487	4,114,252
Administration expenses	327,161	109,685
Selling expenses	164,241	1,660
	4,135,889	4,225,597

9.3 Disposal of fixed assets

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain</i>	<i>Mode of disposal</i>	<i>Sold to</i>
Vehicles - Rupees	191,429	147,101	44,328	62,150	17,822	Tender Notice	Mrs. Farzana Hayatabad, Peshawar
1998 - Rupees	--	--	--	--	--		

10. ASSETS SUBJECT TO FINANCE LEASE

10.1 The following is a statement of assets subject to finance lease:

	<i>DEPRECIATION</i>							
	<i>Cost at 1 July 1998</i>	<i>Additions during the year</i>	<i>Cost at 30 June 1999</i>	<i>Accumulated At 1 July 1998</i>	<i>Charged during the year</i>	<i>Accumulated at 30 June 1999</i>	<i>Book value at 30 June 1999</i>	<i>Dep. Rate %</i>
Plant and machinery	30,500,000	--	30,500,000	8,265,500	2,223,450	10,488,950	20,011,055	10
1998 - Rupees	30,500,000	--	30,500,000	5,795,000	2,470,500	8,265,500	22,234,500	

10.2 The depreciation charge for the year has been allocated to manufacturing overheads.

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i>
11. INVESTMENTS			
Foreign Exchange Bearer Certificates (FEBCs)	11.1	5,006,100	8,231,100
In an associated undertaking - quoted: Cherat Cement Company Limited 123,125 (1998: 123,125) fully paid ordinary shares of Rs. 10/- each [Market value Rs. 1.6 million (1998: Rs. 1.29 million)]		4,096,659	4,096,659
Provision for diminution in value of investment		2,865,409	2,865,409
		-----	-----
		1,231,250	1,231,250
		-----	-----
		6,237,350	9,462,350
		=====	=====

11.1 Represents Foreign Exchange Bearer Certificates of the face value of Rs. 4.846 million (1998: Rs. 7.846 million), market value Rs. 5.548 million (1998: Rs. 10.816 million). The above investment has a maturity period of six years and carries mark-up at a rate of 15 percent per annum. It has been pledged with a commercial bank to the extent of Rs. 3 million of face value, as collateral security against the financing facility under mark-up arrangement.

12. LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS

Long-term advances - employees	299,264	373,265
Deposits	1,073,875	1,189,075
Prepayments	--	199,600
Others	13,245	13,245
	-----	-----
	1,386,384	1,775,185
	=====	=====

13. STOCK-IN-TRADE

Raw material		
In hand	62,193,402	60,666,131
In bonded warehouse	16,153,050	38,774,293
	-----	-----
	78,346,452	99,440,424
Finished goods	3,874,180	2,340,988
	-----	-----
	82,220,632	101,781,412

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
14. TRADE DEBTS - UNSECURED			
Considered good			
- Due from, an associated undertaking	14.1	13,066,685	9,337,652
- Others		89,037,814	86,470,102
		-----	-----
		102,104,499	95,807,754
Considered doubtful		17,965,874	17,965,874
Less: Provision for doubtful debts		17,965,874	17,965,874
		-----	-----
		--	--
		-----	-----
		102,104,499	95,807,754
		=====	=====

14.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs. 46.42 million (1998: Rs. 28.72 million).

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Unsecured, considered good			
Employees		5,044	190,260
Suppliers		298,688	51,476
Income tax		1,731,048	893,778
Excise duty		362,275	362,275
Letter of credit		800,909	2,181,379
		-----	-----
		3,197,964	3,679,168
Deposits		--	1,731,500
Margin held by bank		5,000,000	3,336,200
Prepayments		811,521	1,556,423
Other receivables			
Accrued return on investments		819,697	3,460,337
Octroi refundable		316,732	707,835
Medical and insurance claims		279,522	29,490
Others		234,926	29,234
		-----	-----
		1,650,877	4,226,896
		-----	-----
		10,660,362	14,530,187
		=====	=====

16. CASH AND BANK BALANCES

With banks:

- PLS Accounts		42,595,110	27,785,770
- Current Accounts		23,963,292	11,482,779
		-----	-----
		66,558,402	39,268,549
Cash in hand		44,031	54,511
		-----	-----
		66,602,433	39,323,060
		=====	=====
17. SALES - NET			
Gross sales		672,594,566	631,430,662
		-----	-----
Less: Sales tax		82,421,420	70,186,344
Excise duty		--	25,702,445
		-----	-----
		82,421,420	95,888,789
		-----	-----
		590,173,146	535,541,873
		=====	=====
18. COST OF GOODS SOLD			
Raw material consumed			
Opening stock		60,666,131	39,337,364
Purchases		447,680,174	388,710,914
		-----	-----
		508,346,305	428,048,278
Closing stock		(62,193,402)	(60,666,131)
		-----	-----
		446,152,903	367,382,147
Manufacturing overheads			
Salaries, wages and benefits	18.1	8,301,580	6,412,444
Stores, spares and loose tools		3,606,760	2,165,129
Fuel, power and water		1,657,024	1,436,388
Packing charges		3,276,193	3,469,813
Rent, rates and taxes		577,212	139,944
Repairs and maintenance		6,174,100	4,232,953
Depreciation	9.2 & 10.2	5,867,937	6,584,752
Insurance		2,288,043	2,665,209
General office expenses		93,702	110,572
Vehicle running expenses		514,875	356,541
Lease rentals	18.2	279,240	246,870
Travelling and conveyance		306,063	276,973
Communication		283,622	232,101
Printing and stationery		91,919	55,514
Legal and professional		7,000	198,000
Freight and cartage		136,781	36,521
Training and certification for ISO 9000		190,000	290,000
Others		143,286	74,079
		-----	-----

	33,795,337	28,983,803
	-----	-----
	479,948,240	396,365,950
Cost of goods manufactured		
Finished goods		
Opening	2,340,988	6,898,492
Closing	(3,874,180)	(2,340,988)
	-----	-----
	(1,533,192)	4,557,504
	-----	-----
	478,415,048	400,923,454
	=====	=====

18.1 This includes Rs. 494,327/- (1998: Rs. 384,302/-) in respect of staff retirement benefits.

18.2 This represents lease rentals reimbursed to an associated undertaking.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
19. ADMINISTRATION EXPENSES			
Salaries, wages and benefits	19.1	2,068,322	1,530,085
Directors' fee		7,500	7,500
Travelling and conveyance		320,386	81,611
Vehicle running expenses		224,173	103,958
Communications		229,022	354,043
Printing and stationery		139,227	159,160
Rent, rates and taxes		257,320	250,651
Legal and professional charges		294,113	78,750
Insurance		33,012	66,515
Auditors' remuneration	19.2	372,820	155,215
Subscription		64,275	74,400
Advertisement		189,500	68,900
Entertainment		21,929	12,355
Depreciation	9.2	327,161	109,685
Lease rentals		--	47,448
Provision for diminution in value of investment		--	1,323,588
Repairs and maintenance		55,467	169,229
General office expenses		32,579	30,055
Utilities		286,439	288,875
Others		13,200	3,750
		-----	-----
		4,936,445	4,915,773
		=====	=====

19.1 This includes Rs. 110,632/- (1998: Rs. 88,981/-) In respect of staff retirement benefits.

19.2 Auditors' remuneration

Audit fee	50,000	40,000
Out of pocket expenses	7,720	3,715

Tax services		315,100	111,500
		-----	-----
		372,820	155,215
		=====	=====

20. SELLING EXPENSES

Salaries, wages and benefits	20.1	2,258,554	1,572,842
Travelling and conveyance		568,285	131,811
Vehicle running expenses		207,615	194,159
Communications		105,410	127,680
Printing and stationery		14,635	4,176
Rent, rates and taxes		767,478	887,360
Insurance		1,759,767	1,521,097
Subscription		526,996	116,829
Depreciation	9.2	164,241	1,660
Lease rentals	20.2	404,676	404,676
Provision for doubtful debts		--	17,965,874
Freight and cartage		3,055,622	3,340,970
Selling commission		5,427,897	2,562,339
Repairs and maintenance		120,797	248,954
Others		16,641	35,198
Octroi and Municipal taxes		12,706	230,634
		-----	-----
		15,411,320	29,346,259
		=====	=====

20.1 This includes Rs. 136,798/- (1998: Rs. 84,848/-) in respect of staff retirement benefits.

20.2 This includes lease rentals reimbursed to an associated undertaking amounting to Rs. 129,480/-.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
21. FINANCIAL CHARGES			
Mark-up:			
On finance lease		4,787,817	3,788,770
On short-term loan		1,199,797	3,252,097
Guarantee commission		749,895	684,094
Bank charges and duties		565,728	739,919
Mark-up on WPPF		--	21,192
		-----	-----
		8,486,072	7,303,237
		=====	=====

22. OTHER CHARGES

Amortization of security deposit against finance lease		305,000	305,000
Donations	22.1	28,900	35,000
		-----	-----
		333,900	340,000

22.1 Recipients of donation do not include any donee in whom any director or his spouse had an interest.

23. OTHER INCOME

Return on Foreign Exchange			
Bearer Certificates (FEBCs)		1,064,360	855,000
Income on short-term investment		3,393,350	2,277,087
Scrap sales		244,713	280,017
Dividend income		--	184,688
Gain on sale of fixed assets	9.3	17,822	--
Refund of excise duty		2,478,622	--
		-----	-----
		7,198,867	3,596,792
		=====	=====

24. TAXATION

The Company enjoys tax holiday under clause (122C) of the Second Schedule to the Income Tax Ordinance, 1979 for a period of ten years from the date of commencement of commercial production. However, provision has been made in these accounts in accordance with section 80D of the Income Tax Ordinance, 1979.

25. EARNING PER SHARE - BASIC AND DILUTED

Net profit for the year after tax		82,515,221	88,816,736
		=====	=====
Average number of ordinary shares in issue during the year		4,080,000	4,080,000
		=====	=====
Earning per share		20.22	21.77
		=====	=====

26. FINANCIAL INSTRUMENTS

Interest rate risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 1999 are summarised as follows:

	<i>Interest Bearing</i>			<i>Non-Interest Bearing</i>			
	<i>Less than one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Less than one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Total</i>
Financial assets:							
Investments	--	5,006,100	5,006,100	--	1,231,250	1,231,250	6,237,350
Long-term advances and deposits	--	--	--	--	1,386,384	1,386,384	1,386,384
Trade debts	--	--	--	102,104,499	--	102,104,499	102,104,499
Loans and advances	--	--	--	7,438,786	--	7,438,786	7,438,786

Cash and bank balances	42,595,110	--	42,595,110	24,007,323	--	24,007,323	66,602,433
Rupees	42,595,110	5,006,100	47,601,210	133,550,608	2,617,634	136,168,242	183,769,452
Financial liabilities:							
Liabilities against assets subject to finance lease	6,730,878	10,050,449	16,781,327	--	--	--	16,781,327
Deferred liability - gratuity	--	--	--	--	1,482,134	1,482,134	1,482,134
Creditors, accrued and other liabilities	--	--	--	33,216,644	--	33,216,644	33,216,644
Rupees	6,730,878	10,050,449	16,781,327	33,216,644	1,482,134	34,698,778	51,480,105

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the accounts.

Concentration of Credit Risk

Due to recession in economic activities, the cement industry on which the Company is totally dependent is facing severe financial problems and cash crunch. This situation has compelled the Company to further relax the credit terms so as to be competitive and at the same time to maintain the market share.

Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

27.1 No remuneration of any sort was paid to the Chief Executive of the Company.

27.2 Remuneration of Director and Executives

	1998		1999	
	Director	Executives	Director	Executives
Managerial remuneration	858,690	2,272,640	557,918	1,729,579
Housing allowance	420,000	765,680	201,132	465,892
Retirement benefits	90,320	260,740	77,420	173,290
Utilities	50,340	150,380	44,698	93,468
Leave fare assistance	--	94,224	33,550	64,687
Rupees	1,419,350	3,543,664	914,718	2,526,916
Number	1	10	1	6

The Director and Executives are provided with the use of Company maintained car. The Director

38	10001	15000	386150	9.4645
20	15001	20000	363400	8.9068
5	20001	25000	108000	2.6470
4	25001	30000	107340	2.6309
1	30001	35000	30600	0.7500
1	35001	40000	35700	0.8750
1	40001	45000	44520	1.0912
1	45001	50000	46760	1.1461
2	55001	60000	117260	2.8740
1	60001	65000	64300	1.5761
1	105001	110000	108700	2.6642
1	110001	115000	112680	2.7617
1	120001	125000	120720	2.9588
1	175001	180000	180000	4.4118
1	180001	185000	182320	4.4687
2	235001	240000	480000	11.7647
1	295001	300000	300000	7.3529
1	355001	360000	360000	8.8235
-----			-----	-----
585			4080000	100.0000
=====			=====	=====

NOTE: Incremental grouping of 5,000 initial breakup to 50,000 has only been reported for those slabs where there is shareholding.

<i>Categories</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individuals	559	1977440	48.4667
Insurance Companies	4	253380	6.2103
Private Limited Companies	11	772840	18.9422
Joint Stock Companies	5	480800	11.7843
Financial Institutions	6	595540	14.5965
-----			-----
	585	4080000	100.0000
=====			=====